

## Message Text

LIMITED OFFICIAL USE

PAGE 01 GENEVA 08606 01 OF 02 061811Z  
ACTION EB-08

INFO OCT-01 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00  
COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03  
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15  
STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01  
DOE-15 AF-10 ARA-10 EA-10 EUR-12 NEA-11 OIC-02  
XMB-02 /171 W

-----086498 061828Z /45

P 061753Z JUN 78  
FM USMISSION GENEVA  
TO SECSTATE WASHDC PRIORITY 0498  
INFO ALL EC CAPITALS

LIMITED OFFICIAL USE SECTION 01 OF 02 GENEVA 08606

USMTN

PASS ELECTRONICALLY STR (STARKEY) AND USDA (HATHAWAY,  
RIESZ)  
STR PASS CODEL  
LONDON PASS SAYLOR

E.O. 11652: N/A  
TAGS: MTN, ETRD  
SUBJECT: US/EC BILATERAL ON DAIRY PRODUCTS  
REF: A) GENEVA 5589, B) GENEVA 5826, C) GENEVA

1. ON JUNE 2, A BILATERAL MEETING WAS HELD WITH THE EC  
IN WHICH THE EC DEL (JACQUOT, BARSUGLIA) EXPLAINED ONCE  
MORE THE EC PROPOSAL FOR A BILATERAL ARRANGEMENT ON  
CHEESE BETWEEN THE EC AND THE U.S. THE EC'S FORMAL PRO-  
POSAL HAS BEEN FORWARDED TO WASHINGTON IN REFTEL (C).  
THIS PROPOSAL HAS BEEN SUPPLEMENTED BY A TABLE WITH  
NUMERICAL EXAMPLES. (THIS TABLE HAS BEEN HANDCARRIED  
BY RIESZ AND SEASTRUM TO WASHINGTON.)

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 GENEVA 08606 01 OF 02 061811Z

2. THE EC PROPOSES TO NEGOTIATE WITH THE U.S. EC EXPORT  
PRICES APPLICABLE ON THE U.S. MARKET (E.G. NEW YORK)  
WHICH WOULD BE SUCH AS TO EXCEED U.S. MARKET QUOTATIONS  
BY A CERTAIN PERCENTAGE MARGIN CALLED "GAP". TAKING AS  
EXAMPLE THE RANGE OF U.S. CHEESE QUOTATIONS IN NEW YORK  
CITY ON MARCH 17, 1978, THE SUGGESTED GAP WOULD BE AS

FOLLOWS: BLUE - 15; PROVOLINE - 50; EMMENTHALER - 10;  
GOUDA - 13, PARMESAN - 50; PECORINO - 50.

3. IN ORDER TO RESPECT THE PROPOSED PRICE LEVELS, THE EC WOULD ESTABLISH A NOTIONAL RESTITUTION FOR CHEDDAR (WHICH IT DOES NOT WISH TO EXPORT TO THE U.S.) IN SUCH A WAY THAT THE NOTIONAL PRICE OF EC CHEDDAR ON THE U.S. MARKET WOULD EXCEED THE SUPPORT PRICE OF U.S. CHEDDAR BY A CERTAIN AGREED MARGIN. THE EC WOULD THEN DERIVE FROM THIS NOTIONAL RESTITUTION (PILOT RESTITUTION) ACTUAL RESTITUTIONS TO BE APPLIED TO THE CHEESES TO BE EXPORTED TO THE U.S. SO THAT THE PRICE OF THESE CHEESES IN THE U.S. WOULD REACH THE NEGOTIATED PRICE LEVELS. THESE RESTITUTIONS WOULD BE PROPORTIONATE TO THE MILK CONTENT OF THE CHEESES TO BE EXPORTED TO THE U.S. (WE DID NOT RAISE THE QUESTION OF THE INCONSISTENCY BETWEEN THE MILK CONTENT AND THE PRICE RELATIONSHIP BETWEEN THE VARIOUS CHEESES.)

4. THE EC AGREED THAT THE PRICES TO BE NEGOTIATED WOULD ACTUALLY HAVE TO BE PRICE RANGES RATHER THAN SINGLE PRICES BECAUSE IT IS IMPOSSIBLE TO FIX SINGLE PRICES FROM WHICH MARKET PRICES WOULD NOT DEVIATE. THEY CONCEDED THAT THESE PRICE RANGES MIGHT NOT REMAIN STABLE AT ANY POINT OF TIME BUT ASSERTED THAT DEVIATIONS FROM THE RANGE WOULD COMPENSATE EACH OTHER OVER TIME. THE EC LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 GENEVA 08606 01 OF 02 061811Z

FURTHER STATED THAT IF AT ONE TIME OR ANOTHER THE AGREED PRICES OR PRICE RANGES WERE NOT RESPECTED, BILATERAL CONSULTATIONS TO REMEDY THIS SITUATION SHOULD TAKE PLACE. THE EC AGREED THAT PRICE FLUCTUATIONS THAT WOULD EXCEED THE AGREED RANGE COULD OCCUR SINCE EC RESTITUTIONS ARE VALID FOR TWO MONTHS OR MORE. THE EC OFFERED TO MAKE CERTIFICATES OF EXPORT RESTITUTIONS OF US-BOUND CHEESE SHIPMENTS AVAILABLE TO US SO AS TO FACILITATE PRICE SURVEILLANCE.

5. US DEL (KOENIG, RIESZ, KARPOFF ET AL) EXPRESSED DOUBTS ABOUT THE WORKABILITY OF THE EC PROPOSAL AND THE FEASIBILITY OF MONITORING IT. U.S. THEREFORE PURELY TENTATIVELY EXPLORED THE IDEA OF COMBINING EC PROPOSAL WITH U.S. IMPORT QUOTA SYSTEM. WE POINTED OUT THAT IN VIEW OF THE PRICE VARIABILITY INHERENT IN THE EC SCHEME IT MIGHT BE DESIRABLE TO ESTABLISH ADDITIONAL GUARANTEES IN THE FORM OF QUANTITATIVE RESTRICTIONS. THIS WOULD MEAN THAT FOR EACH OF THE CHEESES IN QUESTION THERE WOULD BE EITHER A GLOBAL QUOTA OR THE EXISTING EC MEMBER STATE QUOTAS, OR A SINGLE EC-WIDE QUOTA. THE PRICE BREAK MECHANISM WOULD BE ELIMINATED AND THE EC PRICE

GUARANTEE IDEA BOLSTERED BY QUANTITATIVE CONTROLS VIA THE QUOTA. UNDER THIS SCHEME EC EXPORT SUBSIDIES MIGHT BE CONCEIVABLY PERMITTED, SINCE THE QUOTAS WOULD CIRCUMSCRIBE THE TRADE DISTORTING EFFECTS OF SUBSIDIES. WE STRESSED THAT SUCH AN IMPORT REGIME WOULD REQUIRE LEGISLATIVE ACTION IN U.S.

6. THE EC REJECTED THE IDEA OF GLOBAL OR EC-WIDE QUOTAS IN LIEU OF THE EXISTING EC MEMBER STATE QUOTAS. HOWEVER, THEY FOUND OUR IDEAS OTHERWISE VERY INTERESTING AND PROMISED TO EXAMINE THEM.

8. ACTION REQUESTED: WE NEED URGENTLY INSTRUCTIONS IN ORDER TO CONTINUE BILATERALS ON THIS ISSUE WITH EC.  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 GENEVA 08606 01 OF 02 061811Z

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 GENEVA 08606 02 OF 02 061814Z  
ACTION EB-08

INFO OCT-01 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00  
COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03  
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15  
STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01  
DOE-15 AF-10 ARA-10 EA-10 EUR-12 NEA-11 OIC-02  
XMB-02 /171 W

-----086525 061828Z /45

P 061753Z JUN 78  
FM USMISSION GENEVA  
TO SECSTATE WASHDC PRIORITY 0499  
INFO ALL EC CAPITALS

LIMITED OFFICIAL USE SECTION 02 OF 02 GENEVA 08606

USMTN

PASS ELECTRONICALLY STR (STARKEY) AND USDA (HATHAWAYN  
RIESZ)

STR PASS CODEL

LONDON PASS SAYLOR

9. DRAFTED BY KOENIG. MCDONALD

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** DAIRY PRODUCTS, TRADE AGREEMENTS, REGIONAL ORGANIZATIONS, MEETING REPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 06 jun 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978GENEVA08606  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780236-0652  
**Format:** TEL  
**From:** GENEVA USMTN  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1978/newtext/t19780693/aaaadbsj.tel  
**Line Count:** 175  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 88186e91-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 78 GENEVA 5589, 78 GENEVA 5826  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 05 may 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** N/A  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2480542  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** US/EC BILATERAL ON DAIRY PRODUCTS  
**TAGS:** ETRD, US, MTN  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/88186e91-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014